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CANADIAN WESTERN LUMBER
COMPANY, LIMITED

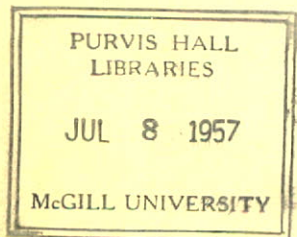
46TH

ANNUAL REPORT

EIGHT MONTHS ENDED DECEMBER 31, 1955

AND

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS



CANADIAN WESTERN LUMBER COMPANY, LIMITED

(Incorporated under the laws of Canada)

HEAD OFFICE

640 HASTINGS STREET WEST
VANCOUVER, B.C.

BOARD OF DIRECTORS

E. B. BULL	- VANCOUVER, B.C.	T. A. A. FRASER	- VANCOUVER, B.C.
F. A. DRUMB	- VANCOUVER, B.C.	O. D. HALLIN	- VANCOUVER, B.C.
R. J. FILBERG, O.B.E.	- VANCOUVER, B.C.	J. C. SHEASGREEN	- VANCOUVER, B.C.
F. N. YOUNGMAN	- VANCOUVER, B.C.		

OFFICERS

F. N. YOUNGMAN	- <i>Chairman of the Executive Committee</i>	- VANCOUVER, B.C.
R. J. FILBERG, O.B.E.	- <i>Chairman of the Board</i>	- VANCOUVER, B.C.
F. A. DRUMB	- <i>President</i>	- VANCOUVER, B.C.
O. D. HALLIN	- <i>Vice-President</i>	- VANCOUVER, B.C.
J. C. SHEASGREEN	- <i>Vice-President</i>	- VANCOUVER, B.C.
T. A. A. FRASER	- <i>Vice-President and Secretary</i>	- VANCOUVER, B.C.
G. J. C. HODSON	- <i>Treasurer-Comptroller</i>	- VANCOUVER, B.C.

TRANSFER AGENTS AND REGISTRAR FOR SHARES

NATIONAL TRUST COMPANY LIMITED - - - - - VANCOUVER, B.C., TORONTO, ONT.,
MONTREAL, P.Q.
THE BRITISH EMPIRE TRUST COMPANY, LIMITED - - - - - LONDON, ENGLAND

SECRETARY IN ENGLAND

THE BRITISH EMPIRE TRUST COMPANY, LIMITED, 52-60 BISHOPSGATE, LONDON, E.C.2.

SUBSIDIARY COMPANIES

FRASER MILLS SASH, DOOR AND SHINGLE CO., LIMITED, FRASER MILLS, B.C.
COMOX LOGGING AND RAILWAY COMPANY, LADYSMITH, B.C.
CANADIAN TUGBOAT COMPANY, LIMITED, FRASER MILLS, B.C.
SECURITY LUMBER COMPANY, LIMITED, MOOSE JAW, SASK.
CROWN LUMBER COMPANY, LIMITED, CALGARY, ALTA.
COAST LUMBER YARDS, LIMITED, WINNIPEG, MAN.

March 19, 1956.

TO THE SHAREHOLDERS:

Because we have changed from a fiscal to a calendar year, this Report provides consolidated operating figures for the **eight month** period to December 31, 1955 and Balance Sheet at that date. For that reason, we are not providing comparative figures with the previous fiscal year.

Net income for the eight month period was \$2,571,690.

Sales volume of lumber was slightly lower and reflects planned adjustments to secure greater utilization. The improved manufacturing facilities referred to in the last Annual Report permitted a substantial plywood production increase to meet market demands. Shingle production was reduced as part of an overall program of more efficient wood utilization.

Demand for lumber products, particularly in the last quarter, was strong with some increases in prices.

During the period \$2,184,000 was spent on plant replacements and additions, including timber acquisitions and improvements to logging facilities.

Plans for extensive modernization of lumber manufacturing facilities at Fraser Mills have been finalized. To avoid curtailment of production, this will be carried out in stages and substantial portions will be completed this calendar year. An early stage in this program is the installation of a new barker and it is expected that this unit will be in service by September. A further expansion of plywood production capacity is also planned.

The major expansion of the Duncan Bay plant of Elk Falls Company Limited, estimated to cost \$31,000,000, is well underway. The project includes the installations of a sawmill, a kraft pulpmill, a bleach plant and a new paper machine. The sawmill will have a daily capacity of 100,000 board feet and to it will be diverted logs or parts of logs that can be more profitably used for lumber than for pulp. Your Company, in conjunction with Crown Zellerbach Canada Limited, will provide a large portion of the funds necessary to finance this major construction program.

Because of the substantial funds required for plant expansion and modernization at Fraser Mills and Elk Falls, the Company did not pay dividends during the past eight months.

There were several executive changes. Mr. E. B. Bull, Mr. O. D. Hallin and Mr. T. A. A. Fraser were appointed Directors replacing Mr. F. B. Brown, Mr. W. J. Mackin and Mr. M. F. Ryan. Mr. O. D. Hallin was appointed a Vice-president and Mr. T. A. A. Fraser, in addition to his office of Secretary, was also appointed a Vice-president.

R. J. FILBERG,
Chairman of the Board.

F. A. DRUMB,
President.

CANADIAN WESTERN LUMBER COMPANY, LIMITED

Notice of Annual Meeting

To the Shareholders of

CANADIAN WESTERN LUMBER COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of CANADIAN WESTERN LUMBER COMPANY, LIMITED will be held in the Board Room of the Company on the sixth floor of 640 West Hastings Street, Vancouver, B.C., Canada, at the hour of 3 o'clock in the afternoon, on Tuesday, the 17th day of April, 1956, to receive and consider the Annual Report of the Directors for the period from May 1, 1955, to December 31, 1955, the Financial Statements of the Company and the Report of the Auditors; to elect Directors; to appoint Auditors; and to transact such other business as may properly be brought before the Meeting.

By Order of the Board of Directors,

T. A. A. FRASER,
Secretary.

VANCOUVER, B.C., MARCH 20, 1956.

CANADIAN WESTERN LUMBER

And Its Subsidiaries

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash	\$ 2,385,797
Interest-bearing deposits	3,700,000
Notes and accounts receivable, net of allowance for losses	2,729,981
Inventories at lower of cost or market	10,002,286
Total current assets	18,818,064

INVESTMENTS AND LONG-TERM RECEIVABLES:

Investment in Elk Falls Company Limited, at cost less amount written off	\$ 4,109,815
Other investments, at cost	136,638
Accounts receivable	93,306
	4,339,759

PROPERTIES:

Buildings, machinery and equipment, at cost	18,026,875
Less allowance for depreciation	11,438,541
	6,588,334
Timberlands and leases, land and logging facilities, at cost net of depletion and amortization	9,398,032
Deposits on timber purchases	1,100,000
	17,086,366

DEFERRED CHARGES (principally insurance and taxes)	387,911
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\$40,632,100

Approved on behalf of the Board:

F. N. YOUNGMAN, Director.

F. A. DRUMB, Director.

CANADIAN WESTERN LUMBER COMPANY, LIMITED

Subsidiaries

STATEMENT AS AT DECEMBER 31, 1955

LIABILITIES

CURRENT LIABILITIES:

Sinking fund requirements due June 1, 1956, less bonds deposited with Trustee	\$ 563,000
Accounts payable	1,612,539
Accrued taxes on income, net of payments	1,469,794
Total current liabilities	3,645,333

FIRST MORTGAGE 4% SINKING FUND BONDS, MATURING AUGUST 1, 1962:

Authorized and issued	\$ 2,741,000
Less sinking fund requirements due June 1, 1956 and cash in hands of Trustee	727,000
	2,014,000
Total liabilities	5,659,333

CAPITAL

CAPITAL STOCK:

Common shares of no par value:

Authorized	3,200,000 shares
Issued and fully paid	3,196,550 shares
	4,184,950

INCOME RETAINED IN THE BUSINESS

30,787,817

Total capital	34,972,767
	<u>\$40,632,100</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Canadian Western Lumber Company, Limited and its subsidiaries as at December 31, 1955 and the consolidated statements of income and income retained in the business for the eight months ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the above consolidated balance sheet and the related consolidated statements of income and income retained in the business are properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of Canadian Western Lumber Company, Limited and its subsidiaries as at December 31, 1955 and the results of their operations for the eight months ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

VANCOUVER, B.C.
February 7, 1956.

HELLIWELL, MACLACHLAN & CO.,
Chartered Accountants.

CANADIAN WESTERN LUMBER COMPANY, LIMITED

And Its Subsidiaries

STATEMENT OF CONSOLIDATED INCOME RETAINED IN THE BUSINESS

For the eight months ended December 31, 1955

Balance, April 30, 1955	\$28,216,127
Add net income for the eight months ended December 31, 1955	2,571,690
Balance, December 31, 1955 as per consolidated balance sheet	<u>\$30,787,817</u>

STATEMENT OF CONSOLIDATED INCOME

For the eight months ended December 31, 1955

Net operating income after deducting directors' fees \$1,667, salaries of executive officers and legal fees and costs \$63,757	\$ 5,884,113
Gain on sale of capital assets	16,738
Income from investments	1,150
	<u>5,902,001</u>
Deduct:	
Interest on first mortgage sinking fund bonds	\$ 79,834
Depletion of timber	523,724
Provision for depreciation	754,355
Provision for Federal and Provincial taxes on income (see note)	1,972,398
	<u>3,330,311</u>
Net income for the eight months ended December 31, 1955	<u>\$ 2,571,690</u>

NOTE: The charge for income taxes is based on the estimated amount currently payable. For tax purposes the companies have deducted depreciation on the "declining balance" method in an amount which exceeds by \$235,000 the "straight line" depreciation recorded by the companies for the period of eight months ended December 31, 1955. The additional depreciation allowances for tax purposes result in tax reductions of \$110,000 for the current period and, cumulatively, \$356,000 for the period from May 1, 1954 (the applicable date of repeal of a Canadian tax regulation limiting tax depreciation to the amount recorded) to December 31, 1955.

